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S E C R E T SECTION 01 OF 02 HO CHI MINH CITY 000612

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SUBJECT: HCMC BUSINESS CONTACT ON THE TRIET VISIT, CHINA, AND
INTERNAL POLITICS

REF: A) HCMC 420 AND PREVIOUS; B) 06 HANOI 2767

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Department.

REASON: 1.4 (b), (d)

11. (S/NF) Summary: A reliable HCMC business contact with longstanding ties to President Nguyen Minh Triet told us on June 6 that Triet knows he will have a difficult visit because of the GVN's human rights crackdown, but is prepared to go to the U.S. "at any cost." Triet understands that postponing the visit would further damage Vietnam's international standing at a "critical juncture." Triet calculates that if the visit were postponed Vietnam would have to wait two years to reschedule -- after the elections and the next U.S administration was firmly in place. Our contact echoed Ref A reporting that Prime Minister Nguyen Tan Dung is the leading player in the Politburo and added that Dung continues to press for the merger of the posts of President and Party Secretary -- a position to which he hopes to ascend to in 2010. Tam added that the Chinese were pushing hard to gain the multi-billion dollar bauxite development rights in the Central Highlands, but that the Politburo had decided that the GVN needed to retain control. Tam said that many in the Vietnamese leadership share his deep suspicion of the Chinese and are pushing for stronger relations with Japan and the United States to counterbalance Chinese influence. End Summary.

12. (S/NF) On June 6, we met with Dang Tanh Tam, an HCMC businessman with longstanding contacts to President Nguyen Minh Triet as well as to other Politburo members from HCMC Le Thanh Hai and Truong Tan Sang. Tam said the he will join Triet as part of the official GVN delegation. We sought to speak with Tam to discuss his failed bid to become a National Assembly delegate, but Tam quickly turned to the Triet visit and internal political developments.

13. (S/NF) Tam echoed Ref A reporting that the GVN crackdown against dissidents was hatched without due consideration of its foreign policy implications. He said that the Ministry of Public Security (MPS) developed the plan before the November APEC Summit. It was approved by Prime Minister Nguyen Tan Dung. The underlying reason for the crackdown was for the security ministry to reassert its political muscle domestically. According to Tam, many in the Politburo know that the MPS can "sometimes get out of control," but MPS Minister Le Hong Anh is not a policeman and does not wield strong authority within the MPS. Vice Minister Nguyen Van Huong is the real power within the MPS, Tam said. Many within the Party and the GVN recognize that the crackdown was ham-handed and unnecessary, but are unable to speak out strongly against it. The Party's aborted effort in 2006 to separate the MPS into two ministries -- a Ministry of Police and a Ministry of Public Security -- was

aimed at trying to weaken the MPS and to improve Party control over Vietnam's security forces.

¶4. (S/NF) The GVN recognizes that the intensity of the crackdown was damaging its international standing and is planning to take some steps to repair the damage in advance of President Triet's visit. Tam said he heard in Hanoi that the GVN will release political prisoners Nguyen Vu Binh and Le Quoc Quan before Triet leaves for the United States.

¶5. (S/NF) The Vietnamese President understands that, because of the crackdown, his visit will be much more difficult than of Prime Minister Phan Van Khai in 2005. Tam noted that other Vietnamese leaders would have canceled the visit because of the lack of appropriate protocol treatment or because they were unwilling to deal with the challenges. Triet, however, told him that he would go at "any cost." The President understands how a cancellation would raise further questions about U.S.-Vietnam ties at a juncture when Vietnam is trying to attract greater Western foreign investment. Triet has been advised that rescheduling the visit would be difficult because of the upcoming U.S. Presidential election season and the change of administrations. Vietnam cannot wait another two years for its President to go to the United States, Tam Said. (Tam noted that the mood in Hanoi had improved somewhat now that they understand that Triet would have a meal with President Bush.)

China, Japan and the U.S.

¶6. (S/NF) Tam said that, following the 10th Party Congress and the formation of a new Politburo and central government in May 2006, Nguyen Tan Dung formulated a plan in which he would travel to Beijing to introduce himself formally as Prime Minister. Party Secretary Nong Duc Manh would travel to Japan, while Triet would visit the United States. Tam said that he and others were concerned that, were Dung to travel to Beijing

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first, it would only reinforce the international perception that Dung was "China's man." Tam, who has many Japanese business connections, pushed the idea of a "Japan first" strategy with Deputy Prime Minister and Foreign Minister Pham Gia Khiem. In addition to bolstering ties with Tokyo, Tam argued that an early visit to Japan -- the USG's strongest ally in the region -- would be a signal to Washington that Vietnam was looking to balance its strategic relationships. Khiem reportedly told Tam that he thought the initiative was a good one, but he would not take the idea to the Prime Minister, as Dung already "had made up his mind." Tam himself then sought a meeting with Dung and sold him on the idea.

¶7. (S/NF) According to Tam, the Japan visit exceeded expectations (ref B), not the least by signaling how decisive and comfortable Dung was with his new position and powers. Prior to the visit, the Politburo had authorized Dung to announce that Vietnam's relationship with Japan had "strategic potential," but at the urging of Prime Minister Abe, Dung announced that Vietnam and Japan were "strategic partners." Soon after his Japan visit, Dung traveled to China. According to Tam, the Chinese demonstrated their pique for Dung having traveled to Japan first and announcing his "strategic partnership " by turning down a request from Dung to meet with President Hu Jintao.

"Hu Jintaoizing Vietnam"

¶8. (S/NF) Tam said that Dung is the most powerful member of the politburo. He is continuing to push for the merger of the positions of Party Secretary and President at the next Party Congress in 2010. Dung would then take that newly-created position, while head of the Party Secretariat; Truong Tan Sang would succeed him as Prime Minister. Sang, according to Tam, is the second most powerful man in the Politburo. Triet does not have much clout, but is far more willing that recent past

Presidents to "question the actions of the GVN in the Politburo and in calls to individual Ministers," much to the chagrin of Dzung.

ALCOA Bauxite

¶9. (S/NF) According to Tam, the State-owned mining conglomerate VINACOMIN signed a deal earlier this year with the Chinese (NFI) to develop the bauxite deposits in the Central Highlands province of Dak Nong. However, the Director of VINACOMIN did not have Politburo authorization and now the Politburo is trying to walk back his misstep. The Chinese are pressing for concluding the deal. During President Triet's May 16-18 visit to China, which Tam -- and others in HCMC -- characterized as "difficult," his hosts pressed to include language on bauxite in the joint press statement. (Note: the joint communique noted that "the two sides will work hard to implement key cooperation projects such as the bauxite mining project in the Central Highlands province of Dak Nong." End note.) Tam said that most in the Politburo do not want the project to go to the Chinese, but it cannot go the Americans either. Tam said he suggested to Truong Tan Sang that the GVN create a holding company that would be responsible for overall development of bauxite in the Central Highlands. Foreign entities could purchase shares in that company or its subsidiaries. Tam said that Sang favored such a scheme, as it would raise funds for the GVN while allowing the GVN to retain overall control of the project.

Comment

¶10. (S/NF) Tam is a reliable ConGen Contact with longstanding business ties to President Triet. His comments on political developments, the Dak Nong bauxite and the dissident crackdown complement reporting from other HCMC sources. Tam comes across as strongly anti-Chinese and in favor of Vietnam forming closer ties with the United States and Japan to counteract Chinese influence in the region. He said that the Saigon Invest Group likely will form a "strategic partnership" with General Electric during Triet's New York stop. Tam's understanding of the maneuvering surrounding exploitation of Vietnam's considerable bauxite reserves may prove simplistic. There is enough in the ground to support multiple foreign investors, and most expect Chinese, Western and even Russian firms to make large investments. The move to create an umbrella role for a Vietnamese entity is expected, and Alcoa is working hard with Vincomin, and at the top levels of the government, to stay in the game. Indeed, Alcoa believes its proven success with full-stream bauxite mining and aluminum manufacture will win it a large share of the Vietnam project. End Comment.

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